

SO ORDERED

Date signed April 16, 2004



Paul Mannes

PAUL MANNES
U. S. BANKRUPTCY JUDGE

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
at Greenbelt**

In Re:

PG&E NATIONAL ENERGY GROUP,
Inc., *et al.*,

Debtors,

*

*

*

*

*

*

*

*

*

Case Nos. 03-30459 (PM) and 03-30461 (PM)
through 03-30464 (PM)

Jointly Administered Under
Case No. 03-30459 (PM)

Chapter 11

* * * * *

MEMORANDUM OF DECISION

Before the court is Debtors' Expedited Motion for Order Authorizing and Approving Settlement Stipulation with the Attala Power Corporation, Attala Generating Company, LLC, Attala Energy Company, LLC, the Certificate Holders, HSBC Bank USA, In Its Capacity As Indenture Trustee, and Central Mississippi Generating Company, LLC, Resolving Certificate Holders' Motion for Substantive Consolidation and Proofs of Claim Nos. 00361 and 00363. A Limited Objection was filed by VCC Attala OL LLC, VCC Attala OP LLC, TCC Attala OL LLC, TCC Attala OP LLC, BATCL-1987 II, Inc., and New Court Capital USA, Inc., that was addressed by the remarks made on the record. The Official Noteholders' Committee oppose the Motion.

The court held a hearing on the Motion and the Noteholders' Objection thereto on April 15, 2004.

Due to the constraints caused by the upcoming hearing on plan confirmation, the court will be brief. The court finds the Settlement Stipulation is in the best interests of the Debtors, as well as their respective creditor constituencies. While the cap on the Debtors' liability in the underlying agreement is \$300 million, in the event that the other parties to the settlement agreement are successful in obtaining substantive consolidation, the results would be devastating to the body of unsecured creditors, including the objecting parties. In effect, the Debtors are buying an insurance policy, and the court respects and gives great weight to the judgment of the Official Committee of Unsecured Creditors in supporting this Settlement. That Committee represents a substantial majority of unsecured creditors, the persons most affected by this Settlement. If the Settlement is not approved, there will be complex and expensive litigation over the issues presented. Confirmation, now likely, becomes more problematic. Counsel supporting the agreement appear competent and experienced in the area of law involved. There is no question that the Settlement is the result of arm's length bargaining. The court also had the impression that the objecting group of unsecured creditors felt left out of the bargaining process, although it is urged that everything was done to involve them in the negotiations that resulted in the proposed settlement. The court finds that the moving parties have sustained their burden of proof in support of the motion.

The court will enter an appropriate order.

cc: Paul M. Nussbaum, Esquire
Martin T. Fletcher, Esquire
Whiteford, Taylor, & Preston, L.L.P.
Seven Saint Paul Street, Suite 1400
Baltimore, Maryland 21202-1626

Shelley C. Chapman
Matthew A. Feldman
Willkie Farr & Gallagher
787 Seventh Avenue
New York, NY 10019-6099

John L. Daugherty, Esquire
Assistant United States Trustee
6305 Ivy Lane, Suite 600
Greenbelt, Maryland 20770

Daniel J. Bussel, Esquire
Klee Tuchin Bogdanoff & Stern LLP
2121 Avenue of the Stars, 33rd Floor
Los Angeles, CA 90067

Joel I. Sher, Esquire
Shapiro, Sher, Guinot & Sandler
36 South Charles Street, Suite 2000
Baltimore, Maryland 21201-3147

Merrill Cohen
Cohen & Baldinger
7101 Wisconsin Avenue, Suite 1200
Bethesda, MD 20814

Anthony W. Clark, Eric M. Davis
Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
Wilmington, DE 19801

Anna M. Alfonso
Kaye Scholer LLP
425 Park Avenue
New York, NY 10022-3598

Bradford F. Englander
Linowes & Blocher LLP
7200 Wisconsin Avenue, Suite 800
Bethesda, MD 20814

Mary Joanne Dowd
Arent Fox PLLC
1050 Connecticut Avenue, N.W.
Washington, DC 20036

Gordon A. Coffee
Winston & Strawn LLP
1400 L Street, N.W.
Washington, DC 20005

Ira Block
10011 Avenel Farm Drive
Potomac, MD 20854

END OF MEMORANDUM OF DECISION